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# Employment Creation or Sheer Survival: Case of Street Vendors of Harare Metropolitan in Zimbabwe

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## ABSTRACT

The study investigated the employment creation capabilities of the informal sector in Zimbabwe using street vendors of Harare Metropolitan. The investigation relied extensively on qualitative research since we recognized that we did not intend to take a neutral or objective stand but rather a stand in favour of the informal sector or not and what it offered to the economy. The study showed that there was a shortage of formal employment at an alarming scale in Zimbabwe while an increasing number of workers were found in the informal sector. Although the informal sector was the fastest growing sector and the largest employer in the country, lack of recognition, for the majority of the entrepreneurs, low levels of organisation and poor coordination, lack of infrastructure and technology and assistance from the government hindered the small entrepreneurs from attaining their full potential. The jobs in the informal economy were merely survivalist and were characterised by subsistence activities and the businesses were short-term and transitory in nature. The absence of legal and regulatory frameworks and collective representation meant that informal workers remained extremely vulnerable. The dilemma of the informal sector in Zimbabwe remained thus just a dilemma-a false dilemma indeed. The high unemployment in the country should be met with decent jobs and not with a job at any price. The informal sector, with all its decent work deficits, could not provide the solution to the national under-and/or unemployment. Instead, the government should provide conducive macroeconomic, social, legal and political frameworks for the large-scale creation of sustainable, decent jobs as well as business opportunities.

## Keywords

Informal economy; dilemma; unemployment; street vendors; governance; informality

## 1. INTRODUCTION

“Informal sector” was coined by the International Labour Organisation in 1972 after noting the emergence of a group of workers and small enterprises operating outside the mainstream economy (Sindzigre, 2006). At that time it was presumed that the informal sector was a transitory phenomenon associated with lower levels of economic development, something that would disappear as development occurred. This presumption has however been proven incorrect in both developed and developing countries..

The International Labour Organisation Resolution Concerning Statistics of Employment in the Informal Sector Adopted by the 15<sup>th</sup> International Conference of Labour Statisticians, January 1993 broadly characterised the informal sector as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned (OECD, Organisation for Economic Co-operation and Development,



2002). These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Typically, the informal sector is a controversial subject because there are different viewpoints from which one can observe it. Hussmanns (1997) provided four viewpoints of the informal sector. First, it can be viewed in a positive way as a provider of employment and incomes to millions of people who would otherwise lack the means of survival. Second, it can be viewed more negatively as a whole segment of society which escapes regulation and protection. Third, it can be romanticized as a breeding ground of entrepreneurship which could flourish if only it were not encumbered with a system of unnecessary regulation and bureaucracy. Fourth, it can be condemned as a vast area of backwardness, poverty, unsanitary conditions for hazardous work, illegality and open use of child labour.

While there have been controversies on precisely the types of activities and the categories of workers the informal sector covers, there does at least seem to be some common understanding about the main characteristics of the informal sector. The characteristics of the informal economy include a range of economic activities in urban areas which are largely owned and operated by single individuals with little capital and labour; a range of economic units which produce and distribute goods and services with a view to generating income and employment; labour intensive technologies; easy entry; high levels of competition; production of low quality goods and services; limited capacity for accumulation and restricted access to assets, credit and other services; undeclared and unprotected labour and unstable relationships of production. Despite the great deal of research conducted on the informal economy its meaning and scope still remain a matter of controversy, as its magnitude, nature and composition vary between regions and countries (OECD, 2002). Informal economy has been used to analyse a wide spectrum of activities that escape taxation, measurement and regulation. Such diverse activities include street vending, hawking, undeclared domestic work, barter, stealing public property, corruption, tax evasion, the Mafia and organised crime. However, the concept of the informal sector needs to be distinguished from the concept of the hidden or underground economy. In reality, however, there will always be some overlap between the informal sector and the hidden or underground economy, and it is in respect of this overlap (that is, deliberately concealed informal sector activities) that problems of non-response and under-reporting are most likely to occur in informal sector surveys (OECD, 2002). It should also be noted that substantial segments of the hidden or underground economy originate from enterprises belonging to the formal sector. Such examples include the production of goods and services “off-the-books”, undeclared financial transactions or property income, overstatement of tax-deductible expenses, employment of clandestine workers and unreported wages and overtime work of declared employees. The informal sector also constitutes a huge “labour reserve” on which the formal sector can draw in times of expansion, or to which labour can be returned in times of contraction (OECD, 2002).

In Zimbabwe the informal sector co-existed with the formal economy since time immemorial though at a very small scale up to the early 1990s. The informal sector comprised unregistered and unregulated entrepreneurs who chose to avoid registration and taxation. The growth of the informal sector from thereon can be traced to the economic structural adjustment programme, 1990-95 and other economic policies (for example price controls), business regulatory policies (for example, Indigenisation and Economic Empowerment Act) and the fast track land reform programme, 2000. These policies and events pushed thousands of workers into the informal economy. For example, under the economic structural adjustment programme many workers were made redundant from both the public and private sectors as the economy was liberalised. The fast track land reform programme destabilised the agricultural sector and destroyed some of the industries that depended on it for raw materials and inputs. The decline in commodity prices particularly those of minerals led to the closure of many mining companies and downstream industries that depended on them.

In its economic plan, Zimbabwe Agenda for Social and Sustainable Economic Transformation, 2013-2018, the government expected the informal sector to create employment and spur economic growth and development. Does the informal sector have the capacity for such a task? In this study, I considered the dilemma of the informal sector in Zimbabwe. The dilemma was “whether to promote the informal sector as a provider of employment and income; or to seek to extend regulation and social protection to it and thereby reduce its capacity to provide jobs and incomes for an ever expanding workforce”.

## 1.1 Research objectives



- To characterise the informal sector in Zimbabwe.
- To identify the factors that promote the informal sector in Zimbabwe.
- To identify the challenges of formalising the informal sector.
- To evaluate the potential of the informal sector to create sustainable employment in Zimbabwe.

## 1.2 Research questions

- How can the informal sector be characterised?
- What factors promote the informal sector in Zimbabwe?
- What are the challenges of formalising the informal sector?
- Can the informal sector provide sustainable employment in Zimbabwe?

## 2. RESEARCH METHODOLOGY

Broadly speaking, any research can be either qualitative or quantitative or both. By qualitative we meant to say that the researcher aimed to gather an in-depth understanding of human behaviour and the reasons that governed such behaviour (Bryman, 2001). Our investigation of the informal sector employment creation capabilities relied extensively on qualitative research since we recognized that we did not intend to take a neutral or objective stand but rather a stand in favour of the informal sector or not and what it offered to the economy. Accordingly, data were collected through observations, interviews of street vendors and reviews of documents.

## 3. DISCUSSION OF RESEARCH FINDINGS

The research findings were discussed under the following sub-headings: characteristics of the informal sector; categories of street employees; motives for participating in street vending; problems of formalising the informal sector and evaluation of informal sector employment creation capabilities in Zimbabwe.

### 3.1 Characteristics of informal workers and entrepreneurs

While there have been controversies on precisely what types of activities and what categories of workers the informal sector covered, there does at least seem to be some common understanding about the main characteristics of the informal sector. The informal sector manifests itself in different ways in different countries, different regions within the same country and even different parts of the same city (OECD, 2002). It encompasses different kinds of activities, different types of enterprises and different motives for participation. In the case of Harare, the informal sector was generally characterized by resourcefulness and imagination. The informal sector activities ranged from street vending, shoe-shining, food processing, car washing and other petty activities that required little or no capital and skills and with marginal output to those that involved a certain amount of investment in skills and capital and with higher productivity, such as farming, manufacturing, construction, tailoring, metal-work, car repair and mechanised and non-mechanised transport as well as service providers. Small-scale production enterprises were found at Magaba in Mbare, Gazaland in Highfield and Furniture Complex in Glen View. Petty trading and small scale distribution activities related to the sale of clothes, food and provisions and were carried out along roadsides, pavements and open spaces near shopping centres.

It should be noted in this connection that the vast majority of the informal sector activities provided goods and services whose production and distribution were perfectly legal. This was to be contrasted with hidden or underground economy which was characterised by illegal production or production which became illegal when carried out by unauthorised producers for example, unlicensed practice of medicine by some street vendors. Some of the underground economic activities included extortion, smuggling, drug trafficking, prostitution, cross-border shopping, stealing of State property and foreign exchange. Given that Zimbabwe is currently using a multicurrency system, buying and selling of foreign exchange presented arbitrage opportunities especially at Copacabana and Eastgate in the central business district. The major buyers of foreign exchange were cross-border traders who specialised in South African products. An interesting observation was that dealership in foreign exchange was predominantly a women's business.



Another observation was that informal sector activities were not necessarily performed with the deliberate intention of evading the payment of taxes or social security contributions or infringing labour legislation or other regulations. Certainly, some of the informal sector entrepreneurs preferred to remain unregistered or unlicensed in order to avoid compliance with regulations and thereby reduce production costs. However, there was need to make a distinction between those whose business revenue was high enough to afford the costs of regulations and those who were illegal because they could not afford to comply with existing regulations as their income was too low and irregular, because certain laws and regulations were quite irrelevant to their needs and conditions, or because the State was virtually non-existent in their lives and lacked the means to enforce the regulations which it had enacted. In some countries, at least, a sizeable proportion of informal sector enterprises were actually registered in some way and/or pay taxes, even though they could not be in a position to comply with the full range of legal and administrative requirements (OECD, 2002).

In spite of its segmented, precarious and semi-legal existence, the informal sector could not exist in total separation from the formal sector. The informal sector, in its varied form provided important backward and forward linkages to the formal sector. However, the nature of the formal-informal sector relations was varied. Generally the informal sector largely served markets which the formal sector was too inflexible or too high cost to reach and its existence depended much on its ability to deliver goods and services at lower prices or smaller quantities than those of the formal sector or to provide goods and services which would otherwise not be available at all. In the majority of cases, formal sector workers were informal sector customers. However the closure of companies had adverse effects on informal sector entrepreneurs who relied on formal sector employees who bought their goods and services. Meanwhile, other activities, consisting of jobs performed on an individual basis, were likely to be less directly linked to the formal sector, although even seemingly independent street vendors were sometimes found to be part of well-organised commercial networks controlled by large-scale formal enterprises. For example, the major bakeries in Harare had expanded their distribution network of bread to include tuck-shop owners and individual street vendors besides established shops. In addition, Njaya (2014a) observed that some street vendors established mutual informal associations with shop owners where they sold merchandise for the latter for a commission. Such practice was rampant for established shops that sold mobile phones, computers and their accessories. These subtle relationships indicated a trend towards bridging the divide between formal and informal economies.

In fact, some informal sector enterprises were highly dependent on modern enterprises for inputs and/or finished goods for sale. Most street vendors obtained their merchandise from established shops or firms. In some cases, other informal sector enterprises acted as subcontractors to the formal sector though their weak economic power sometimes made them more vulnerable to exploitation. Being deprived, to a large extent, of the right to appeal to the courts for contracts to be enforced such informal sector entrepreneurs would prefer to legalise their operations whenever possible and thereby obtain legal protection from the authorities.

### 3.2 Categories of street workers

The researcher observed varied employment context of street traders that included:

- independent and self-employed entrepreneurs with (1-5) paid employees
- independent and self-employed entrepreneurs without paid employees but often used unpaid family labour
- street vendors who worked as contributing family members
- vendors who worked as employees of formal or informal enterprises
- vendors who sold goods on commission for formal or informal enterprises
- part-time vendors who held down formal jobs. For such street entrepreneurs, informal activities were undertaken as secondary activities in order to supplement their formal employment incomes.
- seasonal vendors of speciality goods
- permanent vendors who regarded vending as their primary occupation
- opportunist vendors who only vended when an opportunity presented itself



### 3.3 Motives for participating in street vending in Harare

The driving forces behind street vending were diverse. The motives for participation in the informal sector in general and street vending in particular ranged from pure survival strategies undertaken by individuals in lack of jobs or other forms of income maintenance, to the desire for independence and flexible work arrangements and in some cases, the prospect of quite profitable income-earning opportunities. For a majority of the vendors, street enterprise was their only refuge occupation that could meet their subsistence needs because of its low entry barriers. The following were cited by street traders as their main motives for participating in street trade in Harare:

- quick and easy avenue to earn subsistence income. A majority of the vendors of fruits and vegetables, phone recharge cards and basic commodities such as bread and cooking oil fell into this category.
- social system for the under-privileged urban dwellers
- failure to find jobs in the formal economy. A significant number of street vendors regarded street enterprise as temporary employment while seeking proper formal employment.
- response to known demand from customers who preferred open-air environment of shopping
- low barriers to entry which made street vending a refuge occupation
- easy accessibility and low initial capital requirements
- more flexible and/or attractive employment option than wage work. Further probing on this group actually revealed that some vendors left wage work because of very low wages.
- no overhead costs of rentals, rates and sometimes licensing fees. For this category, though in the minority, the participants viewed street vending as a way to avoid the costs of operating a formal storefront business.
- flexibility of working hours allowed women (especially housewives) to fulfill their household care chores
- redundancies or retrenchments caused mainly by economic crisis
- pensions were too low to cover the cost of living

### 3.4 Problems of formalising the informal sector

Most informal activities were not recognised and as a result escaped regulation and measurement. However, as a first step towards recognition of the informal sector, the government (through local authorities), introduced a daily license fee of US\$1 on vendors from September 1, 2014. But was the tax a viable revenue stream to the government? Given that street vending is meant to meet subsistence needs of urban households, a one-dollar per day tax primarily affected low income families. Such a tax was regressive because the broad formal sector had drastically declined over the past two decades due to a combination of factors: competition from cheap imports, capital flight, absence of fresh foreign direct investment and unfavourable business environment caused by power outages, and high staff costs. Some informal traders could not afford to pay daily vending fee because they sold small items such as mobile phone recharge cards and sweets. Meanwhile, informal sector enterprises such as transport and hair salon operators, small scale miners, bottle stores, restaurants and cottage industry operators were expected to pay presumptive tax. Presumptive tax was easier to collect in the informal sector because it was computed using average income rather than business records (which were non-existent for most informal sector enterprises). From the fieldwork, only a mere two percent were registered with the Zimbabwe Revenue Authority for the payment of presumptive tax which meant that 98 percent of the informal sector enterprises did not pay tax to the government. This was because the presumptive tax was deemed to be on the high side for a majority of the informal sector enterprises. For example, the presumptive tax per quarter for hair saloons was US\$1500; driving schools, US\$500-600 and transport operators, US\$1000-2500 depending on the class of the vehicles. Overall therefore, the government's objective to balance the budget would not be achieved through targeting a relatively minor sector such as street vending. If anything, the taxation would bring resentment and possibly resistance in the medium to long term. Some vendors indicated that they would rather take the risk of not paying the tax and continue to sell their wares illegally because they could not afford the taxation. For most street vendors, the State "did not exist" as they did not have access to sanitation facilities and public utilities such as electricity, water and waste management. But would the City of Harare cope with increased number of street vendors and informal entrepreneurs and be able maintain the City's vista?



Another challenge was that of quantifying street entrepreneurs in particular and all informal sector participants in general. The registration of informal sector traders with local authorities was not mandatory. There were no definitive statistics on the informal sector although it produced and/or marketed everything from toiletries, medical drugs including indigenous herbs, motor vehicle spares, stereos and TV sets, cell phones and cell phone accessories, computers and computer accessories, clothes, fruits and basic commodities such as mealie meal, sugar, salt and cooking oil. Generally, informal sector entrepreneurs in general and street vendors in particular were reluctant to register with local authorities because there were no incentives for doing so. For example, their trading sites were filthy while public utilities in the majority of cases were non-existent. The City Council should compile a database of all street entrepreneurs before collecting taxes from them. The absence of a database of street traders could present opportunities for rent-seeking by unscrupulous Harare City Council revenue officials.

Informal workers and entrepreneurs were characterised by a high degree of vulnerability due to the absence of legal and regulatory framework. The absence of legal and regulatory frameworks reflected a lack of governance of the informal economy. This meant that informal workers were denied rights and protection at law or workers were unable to enforce their rights because of poor labour inspection and lack of access to justice. The legal restrictions and changing work patterns often made it difficult and sometimes impossible to organise workers in the informal economy. The jobs in the informal economy were characterised by poor-quality, sometimes unproductive and unremunerative. Informal sector workers and/or entrepreneurs had inadequate or no social protection. Workers in the informal sector lacked representation and voice. This was because they could not afford subscriptions to trade unions and the absence of a legal framework recognising their activities.

The policy environment for street traders is a function of both the legal context and the political environment (WIEGO, 2012). In terms of the legal context, Zimbabwe has constitutional provisions related to the individual rights to work and to private property and the collective rights to public space and economic association that also covered informal sector enterprises. However, aside from these constitutional provisions, Zimbabwe did not have a national policy a small and medium enterprises and legal framework although a majority of the population derived its livelihoods from the informal sector. The recognition and appreciation of the role of informal workers in general and street vendors in particular was particularly important for Zimbabwe where the formal jobs were diminishing at an alarming rate. The absence of good governance of the informal sector meant that workers were either denied rights and protection at law or were unable to enforce whatever rights they had because of poor labour inspection and administration and lack of access to justice. Granting rights at law though necessary was not sufficient though. Generally, workers must be able to realise, exercise, defend or enjoy their rights and to achieve this they required legal recognition or status. The government should provide good governance by introducing appropriate laws that recognise, promote and safeguard informal workers' rights. Good governance was not only important in the context of rights and law, it also had a role to play in economic development and employment creation. Unfortunately, for a number of reasons to do with structure and content, trade unions such as Zimbabwe Congress of Trade Unions (ZCTU) could not expect to convince informal sector workers to become regular dues-paying members. In fact only domestic workers were unionized under the Zimbabwe Domestic and Allied Workers Union (an affiliate of ZCTU). Instead informal traders fell under the Zimbabwe Chamber of Informal Economy Association (ZCIEA). There were more than 10 national associations affiliated to ZCIEA. Some of these included the Cross Boarder Association of Zimbabwe, the National Cooperatives on Housing, the Zimbabwe Injured Workers Association, Women in Construction and Building a Better Youth. In 2004, ZCTU entered into a Memorandum of Understanding with the ZCIEA setting out the terms of their bipartite relationship. ZCIEA could not be an affiliate of ZCTU because it dealt with both employees and employers in the informal sector while the ZCTU concentrated on employee issues only. Although ZCIEA was recognised internationally (through its partnership with ZCTU) and sometimes collaborated with the Ministry of Small and Medium Enterprises and Cooperative Development, the government did not recognise it.

At the local level, the study noted that City by-laws and regulations governed street commerce. These by-laws and regulations emanated from urban planning processes that invariably excluded street traders (Njaya, 2014b). As observed by Njaya (2014b) the major problem seemed to be the City's master plan (designed during the colonial period) which did not allocate space to vendors as town planners blindly replicated the western concept of marketing which ignored the



Zimbabwean traditions. The City by-laws should be adapted to the changing circumstances to accommodate street economic activities but at the same time retaining the ability to regulate the operations of street trade.

Another observation that prohibited the establishment of sectoral governance of street commerce was that street vendors lacked formal association(s) that could coordinate strategies across different groups to gain recognition by the state. Except for local associations which were characterised by rotating savings clubs, street vendors did not have a common forum where they could engage the Harare City Council and the government. A majority of the informal sector enterprises were characterised by low levels of organisation and poor coordination and assistance from the government which hindered the small entrepreneurs from attaining their full potential. Established shops, on the other hand, were more organised and had associations whose mandate was to work the political and regulatory system to their advantage (Njaya, 2014b). Furthermore, the established shops paid rent, property licenses, rates and fees which filled political coffers unlike street vendors who were free riders. In addition, established shops would always spin a narrative about how disruptive competition would force them to lay-off workers. This tended to overshadow the net gains in employment from street vending and net consumer surplus generated.

### **3.5 But how has the government responded to the expanding informal sector?**

The government has over time addressed the informal sector in different ways, the last shift taking place in 1983 through the creation of the Small Enterprises Development Corporation (SEDCO), renamed Small and Medium Enterprises Development Corporation on 7 February 2014. Small and Medium Enterprises Development Corporation (SMEDCO) is a development finance institution that promotes micro, small and medium enterprises. However, SMEDCO's operations were severely hampered by underfunding. A fully-fledged ministry, the Ministry of Small and Medium Enterprises and Cooperative Development was formed in order to promote SMEs in the country. The ministry had over time constructed basic infrastructure for SMEs and assisted them to form business clusters. Over time a number of non-governmental organisations assisted informal sector enterprises with concessional financing as well as training in business management. Unfortunately the funding had been inadequate also.

### **3.6 An evaluation of employment creation capabilities of the informal sector**

In its economic blue-print, Zimbabwe Agenda for Sustainable Socio-Economic Transformation, 2013-2018, the government identified small and medium enterprises and cooperatives as drivers of sustainable economic empowerment, economic growth and employment creation. In fact, the government saw the informal economy as an option to formal sector business. This was based on the assumption that it was natural that people joined the informal economy in order to survive. From the aspects of poverty, social policy and the labour market, the informal sector was indeed important because it provided a considerable source of income and employment in a country where formal employment opportunities were limited. But were workers there just merely to survive? Interviews with street vendors showed that although informal enterprises provided them with subsistence income, they needed their basic rights, they needed protection through legislation and most importantly they needed social security. So, the issue was not that informal workers had at least a job. The issue was that workers needed jobs with all the dignity and rights that went with them. During the fieldwork three pertinent observations were made. First, most of the informal sector enterprises were one-man entities that employed 1-5 unskilled and low wage workers. Second, the transitory nature of the businesses set up was another clear indication that informal sector entrepreneurs were sheer survivalists. Informal sector businesses such as food outlets, hair-salons, unregistered taxis and clothes (both new and old) retailing were meant to sustain household livelihoods. Such enterprises, in the majority of cases lasted for a few months and were shut down as the owner ventured into another "money spinning scheme". It would appear a significant number of informal sector entrepreneurs were wheeler-dealers as opposed to entrepreneurs who had a long-term vision of the business. Third, because of low entry barriers, informal sector was a refuge occupation since it was not created by design. Meanwhile, FinScorp Micro, Small and Medium Enterprise Survey, 2012 found that 2.8 million small businesses created 5.7 million jobs while 800 000 medium-sized firms employed 2.9 million jobs. But how many of these jobs were long-term and could lead to further employment creation? How many of those in the informal sector would, given the chance return to or join formal employment? The answer was not surprising. A majority of those interviewed indicated



that they would return to formal employment because incomes in the informal sector were uncertain, highly irregular and insecure. For example, less than 34.6 percent earned more than US\$250 per month while more than 86.7 percent of the workers did not receive a regular and full-time wage. Generally, I observed that informal sector employment was characterised by decent work deficits which included absence of contracts, absence of rights at work, unproductive and unremunerative jobs, lack of representation and voice and no or little access to social security and workers had to endure unsafe and precarious work and sometimes had to contend with irregular and insecure incomes. A majority of the workers were not recognised or protected under the legal and regulatory frameworks. The absence of legal and regulatory frameworks resulted in increased vulnerability of informal sector employees and sometimes the entrepreneurs themselves.

Unknown to the government was that Zimbabwe's worsening unemployment situation was due to low economic growth rates, lack of new capital and fresh foreign direct investment. The government estimated the unemployment rate at 11 percent by taking into account the burgeoning informal sector. That is, of all those employed, over 90 percent were in the informal sector. This was after the formal business enterprises had become severely curtailed. Unlike other countries where SMEs operated side-by-side with large corporations, Zimbabwe experienced unprecedented growth of informal sector enterprises after the collapse of the formal economy. This demonstrated that the informal sector was a direct response to the high unemployment in the country. Zimbabwe was the least recipient of foreign direct investment (FDI) in southern Africa. On a cumulative basis during the period 1980-2013, Zimbabwe received US\$1.7 billion in FDI flows compared with US\$7.7 billion and US\$15.8 billion for Zambia and Mozambique respectively. Zimbabwe's poor performance in FDI inflows was attributed to a combination of factors including poor and often inconsistent economic policies, seizure of white-owned farms under the Fast Track Land Reform and Resettlement Programme, 2000-2002 and indigenisation and empowerment policy which aimed to localize control of all major companies especially mines. More specifically, the Indigenisation and Economic Empowerment Act compelled foreign-owned companies with assets of more than US\$500 000 to cede 51 percent controlling stake to indigenous black Zimbabweans or the National Economic Empowerment Board. Unlike the informal sector enterprises, FDI and modern businesses have pervasive and far reaching downstream local employment creation effects. In this regard, the government needed to unequivocally reassure the remaining foreign-owned companies and all investors in general that their business enterprises were secure in Zimbabwe. In other words, the Indigenisation and Economic Empowerment Act needed to be clarified and where necessary repealed.

There is no denying that the informal sector contributed a significant proportion to gross domestic product (though most of that contribution was not quantified). Worldwide, the informal sector activities generated US\$10 trillion in 2013. In Zimbabwe, the FinScorp Micro, Small and Medium Enterprises Survey, 2012 found that there were 3.5 million micro, small and medium enterprises with an estimated turnover of US\$7.4 billion and employed 5.7 million (owners and employees). The study found that although as many as 2.9 million were engaged in micro, small and medium enterprises employment, only 29 percent provided employment while 71 percent were wholly operated by their owners. There could have been an over- or -underestimation of the informal sector's contribution since most of the work in the sector was unrecorded and most of the income circulated outside the formal financial system. For example, during the fieldwork, only 2.1 percent of the informal sector enterprises indicated that they used banking facilities. Informal sector's reticence to banking services was due to high bank charges, general lack of confidence in the banking sector and fear of a return to the Zimbabwe dollar as legal tender. Also another reason cited for not using banks was that most informal sector enterprises dealt in small amounts of cash which were invariably immediately used to restock or meet other household needs. Furthermore, the fear of taxation was another reason why informal sector entrepreneurs shunned banking services. For example, in order to open a bank account, the enterprise was required to submit to the bank an Income Tax Clearance Certificate which unfortunately was only available to entities that were registered with the Zimbabwe Revenue Authority. Probably there was need for the government to restore confidence and stability in the financial sector in order for the informal sector to participate in the banking system.

As observed above, the majority of the jobs in the informal sector were survivalist, subsistence activities and not decent employment. Probably, this could be the explanation for why the unprecedented collapse in living standards (from 2000) had not been accompanied by social explosion in Zimbabwe since people managed to survive by engaging in a multitude of "informal" undeclared activities such as street trading, cross-border trading, subsistence agriculture among other livelihood sustaining activities. The informal economy provided the unemployed with the only possibility of escape



from grinding poverty and was frequently a source of hope for those who worked in it. Informal sector activities were undertaken with the primary objective of self-generation of employment and incomes, rather than maximisation of profit or of return on investments. Business growth was not a priority. Informal entrepreneurs operated on a very small scale and in the most of cases with low level of organisation. Most of them had very low levels of capital, productivity and income. A majority of the informal enterprises tended to have little or no access to organised markets, credit institutions, modern technology, formal education and training facilities and public services and amenities. Most of the informal sector activities were carried out without fixed location or in places that were not visible to the authorities, such as small shops, workshops, stalls or home-based activities. The existence of informal sector activities on the fringes of the law sometimes led the Harare City Council to confuse them with illegal activities and therefore to subject them to harassment and repression. Even where informal sector entrepreneurs were registered and respected certain aspects of the law, they were almost invariably beyond the pale of social protection, labour legislation and protective measures at the workplace.

Generally, informal sector activities were mostly operated by single individuals working on own account as self-employed business operators, either alone or with the help of unpaid family members, although some were micro-entrepreneurs engaging a few paid workers. Labour relations were based mostly on casual employment, kinship, personal or social relations rather than contracts with formal guarantees. This created conditions for unchecked labour exploitation and the development of human trafficking as well as negative associations (for example, prostitution, drug peddling and extortion). The fieldwork showed that there were considerable inequalities in the informal sector. Most people engaged in it, but not all were poor; some were quite impoverished while very few earned incomes that were higher than the minimum wage in the formal sector. In spite of their heterogeneity, all informal sector employees had one thing in common: they were vulnerable. The vulnerability of informal sector employees and entrepreneurs was due to the fact that they relied on self-supporting and informal institutional arrangements for credit, training and social security which operated separately and independently from the institutions of the formal economy. For example, shocks such as harsh weather which could prevent open space vending or prolonged illness of the entrepreneur could permanently cripple the business.

Meanwhile, a few small growing enterprises in the informal sector faced a plethora of challenges that hindered them from reaching their potential. Common problems noted during the study included lack of recognition (for the majority of the entrepreneurs), low levels of organisation and poor coordination and assistance including funding from the government, limited access to information on market opportunities and/or lack of access to markets, limited or lack of access to credit facilities, non-availability of adequate training in business management, lack of appropriate infrastructure (for example storage and vending facilities) and technology as well as absence of a conducive operating environment. Most informal sector entrepreneurs lacked necessary fixed assets that could be used as collateral. The shortage of collateral created a binding credit constraint on borrowing by the informal sector enterprises which hampered their growth and employment creation capabilities.

#### **4. CONCLUSION AND RECOMMENDATIONS**

A greater number of workers than ever before were working outside the formal economy and they were engaged in an increasingly diverse range of activities and situations. The majority of these workers were engaged in vending. Although the informal sector was the fastest growing sector and the largest employer in the country, lack of recognition (for the majority of the entrepreneurs), low levels of organisation and poor coordination and assistance including funding from the government hindered the small entrepreneurs from attaining their full potential. In addition, informal sector enterprises faced numerous challenges including, lack of funding from banks, overcrowding, lack of or absence of public utilities (such as electricity and water), no or fewer toilets and generally unfavourable operating environment which was characterised by high electricity bills, exorbitant bank charges and interest rates, expensive raw materials and competition from foreign businesses for example, cheap Chinese products. The majority of the jobs in the informal economy was merely survivalist and characterised by subsistence activities. Informal sector enterprises were a one-man entity that often employed very few people, businesses were transitory in nature and for a majority of people informal sector employment was only a refuge occupation because of low barriers to entry. The absence of legal and regulatory frameworks and collective representation meant that informal workers remained extremely vulnerable. The dilemma of the informal sector in Zimbabwe remained thus just a dilemma-a false dilemma indeed. The high unemployment in the country should be met with decent jobs and not



with a job at any price. The informal sector, with all its decent work deficits, could not provide the solution to the national under-and unemployment. Instead, the government should provide conducive macroeconomic, social, legal and political frameworks for the large-scale creation of sustainable, decent jobs as well as business opportunities.

The following recommendations emanated from the study:

- The government should recognise informal sector chamber, Zimbabwe Chamber of Informal Economy Association. The Zimbabwe Chamber of Informal Economy Association would become a forum for interaction with the various local authorities and Government.
- Government should compile a database of all informal sector employees.
- The problems of decent work deficits need to be addressed in order to win the informal sector workers over to trade unionism. In this regard, ZCTU should work with the Zimbabwe Chamber of Informal Economy Association to improve occupational health and safety in the informal sector.
- Government and non-governmental organisations including ZCTU should train informal sector entrepreneurs in latest business management skills in order to cope with or adapt to the economic crisis.
- Good governance of the informal economy. The government should establish a small and medium enterprise policy and legal framework.
- The government should deal with the root cause of the problem of unemployment and prevent the development of informality. That is, the importance of responsible macroeconomic planning and investment at national level should not be ignored. The government should create a conducive business environment that respects property rights. The regulatory framework for business development must be reasonable and not hinder the development and growth of both formal and informal enterprises of any size.

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